

IRS News Release

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Mistakes Abound on Telephone-Tax Refund Requests; IRS Offers Tips for Getting a Speedy Refund

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WASHINGTON — The Internal Revenue Service today offered taxpayers tips for requesting the telephone excise tax refund, after early tax returns show some people are making basic mistakes, others are requesting excessive refunds and many are missing out on the refunds, altogether.

“We encourage taxpayers to take a few minutes and review the details of the telephone-tax refund,” said IRS Commissioner Mark W. Everson. “A little extra time will reduce the chance for a mistake, avoid a refund delay and possibly add a few dollars onto refund checks.”

The government stopped collecting the long-distance excise tax last August after several federal court decisions held that the tax does not apply to long-distance service as it is billed today. Federal officials also authorized a one-time refund of the federal excise tax collected on service billed during the previous 41 months, stretching from the beginning of March 2003 to the end of July 2006. The tax continues to apply to local-only phone service.

Early mistakes found on a sample of 2006 returns filed during January include:

- Filling out the Form 1040EZ-T incorrectly by failing to show a refund amount on Line 1a. Designed exclusively for requesting the telephone-tax refund, this simple form is for people who don't need to file a regular income-tax return. Filing an incomplete form typically delays a refund and often leads to follow-up correspondence with the IRS. More than 10 million low-income people, many of them senior citizens, are expected to file this form.
- Failing to request the telephone tax refund on a regular federal income-tax return in situations where the taxpayer appears to qualify. More than one-third of early filers did not request the telephone tax refund. This includes filers on Forms 1040, 1040A, 1040EZ, 1040NR and 1040NR-EZ. About 136 million individuals and couples are expected to file one of these forms, and most will, likely, qualify for the telephone-tax refund. Anyone who files one of these forms cannot file Form 1040EZ-T.
- Filing duplicate requests. Usually, this involves filing both Form 1040EZ-T and a regular income-tax return. Anyone who files a regular return cannot file Form 1040EZ-T. Doing so will delay any refund for months and result in a phone call or letter from the IRS.

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- Requesting a refund that appears to be based on the entire amount of the taxpayer's phone bills, rather than just the three-percent tax on long-distance and bundled service.
- Requesting a refund in the thousands of dollars, suggesting that the taxpayer paid more for telephone service than they received in income.

The IRS is investigating potential abuses among early filers who requested large and apparently improper amounts for the telephone tax refund. The IRS will take prompt action against taxpayers who request improper refund amounts and the return preparers who help them.

The IRS wants to make it as easy as possible for anyone who paid the tax to get this special refund. If you paid the tax and haven't filed yet, here are some tips to help you figure the refund correctly and get it quickly:

- File electronically. Electronic-filing software flags often overlooked tax breaks and helps you figure them accurately and report them properly. If you use a professional tax preparer, ask that person to e-file your return.
- E-file for free. If your income is \$52,000 or less, use the Free File link on IRS.gov to connect to a private-sector company offering free e-file services.
- Choose direct deposit. Whether you file electronically or on paper, you can get your refund at least a week sooner by having it deposited directly into your checking or savings account.
- Consider using the standard-refund amount for the telephone-tax refund. Though using the standard amount is optional, it is easy to figure and approximates the eligible amount for most individual taxpayers. You only have to fill out one line on your return, and you don't need to present proof to the IRS. The standard amount, ranging from \$30 to \$60, is based on the number of exemptions you can claim on your return.
- If you paid more than the standard amount, you may figure your refund using the actual amount of tax shown on your phone bills and other records. Base your refund request on the three-percent federal tax paid, not the total phone bill. Do not count tax paid on local-only service. You must have the phone bills or other records adequate to support the amount you are requesting. These documents should not be sent along with the refund request but should be retained in case the IRS questions the amount requested.
- Do not file duplicate requests. If you file a regular income-tax return, do not file Form 1040EZ-T. If you want to take advantage of the earned income tax credit for low and moderate income workers, the child tax credit or other tax breaks, file a regular return and include your telephone-tax refund request on that return.
- Stay away from tax preparers who falsely claim that many, if not most, phone customers can get hundreds of dollars or more back under this program.

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- Use the Telephone Excise Tax Refund section on the front page of IRS.gov, the tax agency's popular Web site. Here, you can download forms, find answers to frequently-asked questions and link to participating Free File partners.